

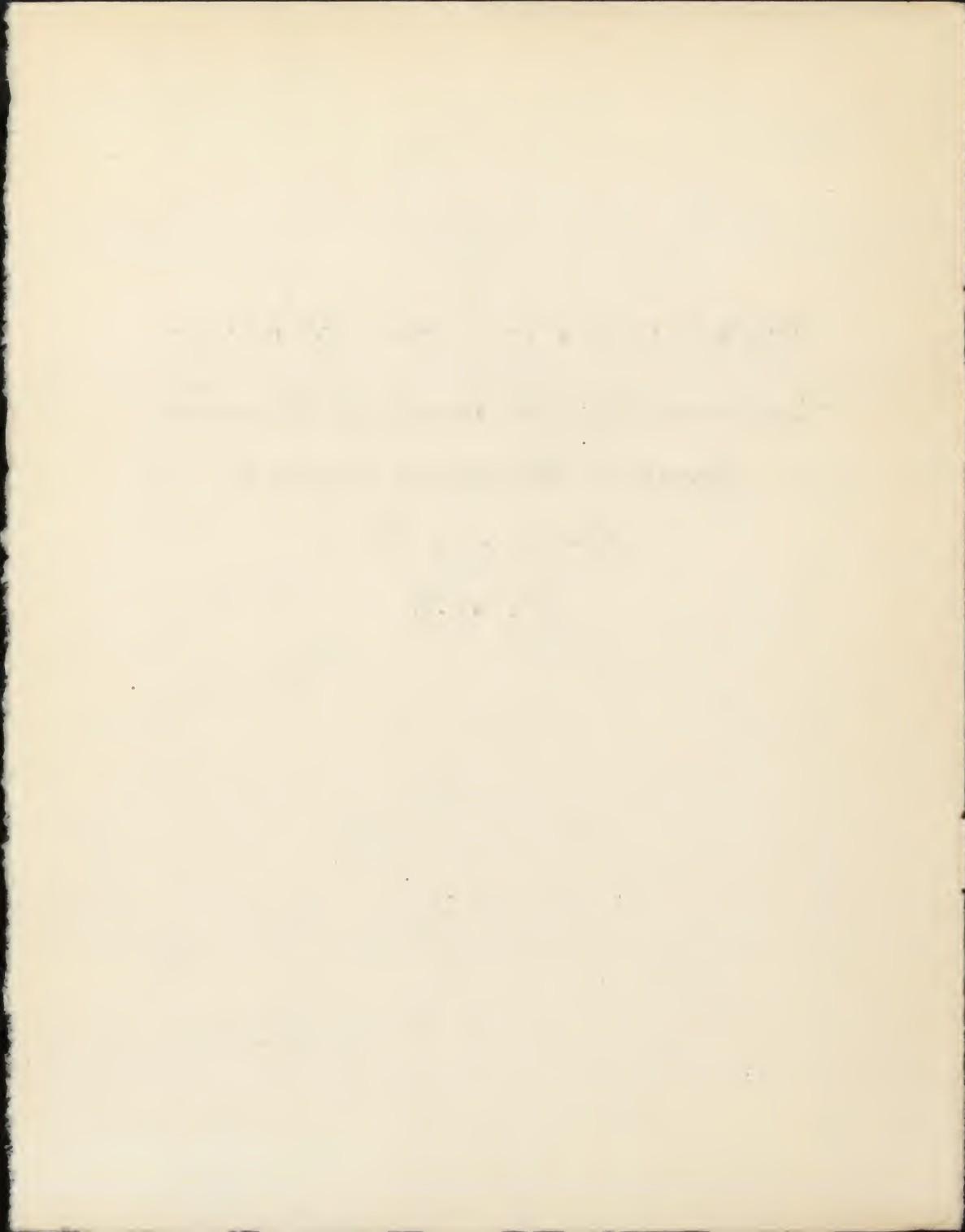
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MONTGOMERY WARD
Seventy-Sixth Annual Report
Twelve Months Ended
January 31
1948

BOARDS

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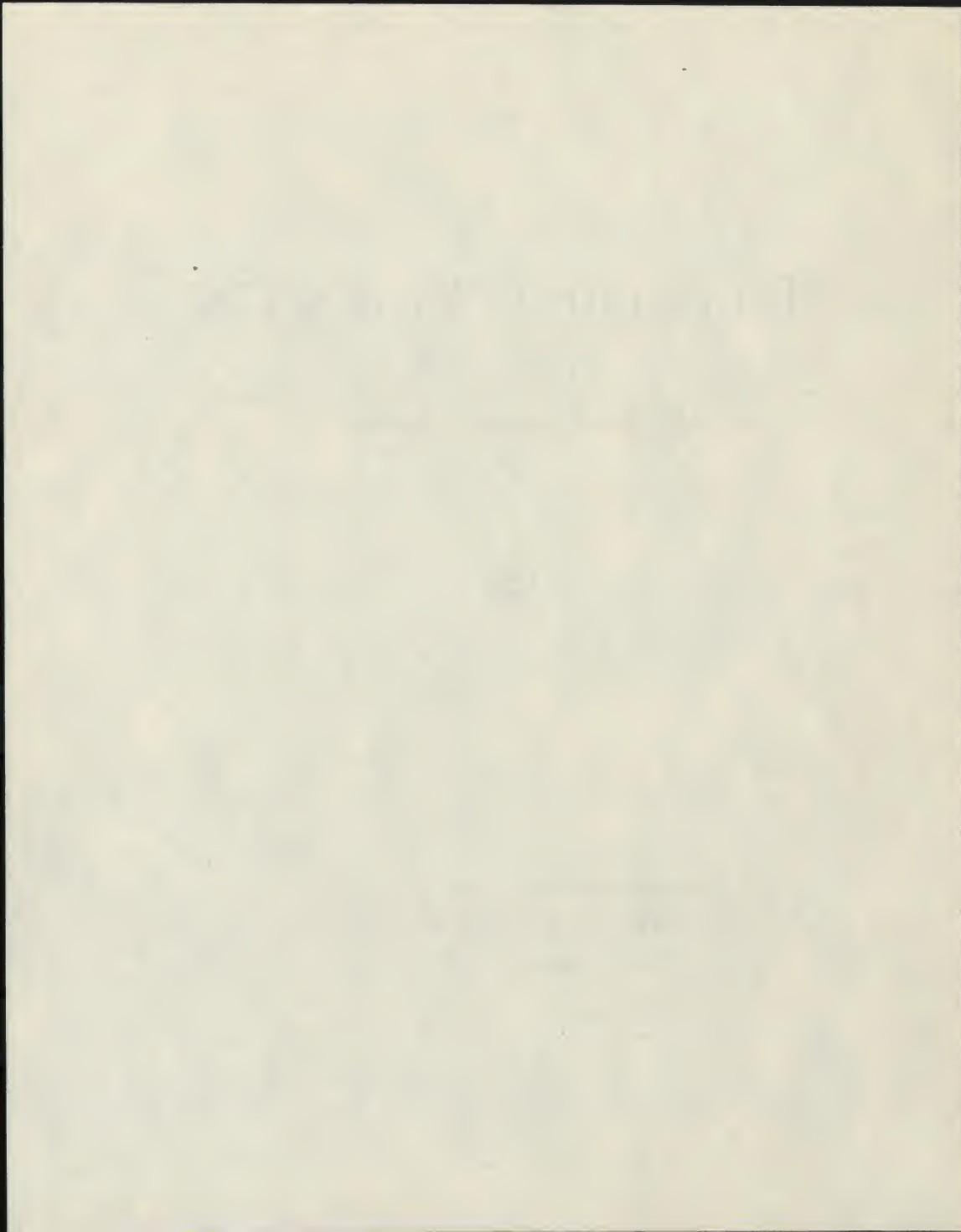
Montgomery Ward & Co.

INCORPORATED

(AN ILLINOIS CORPORATION)



Seventy-Sixth Annual Report
Twelve Months Ended
January 31, 1948

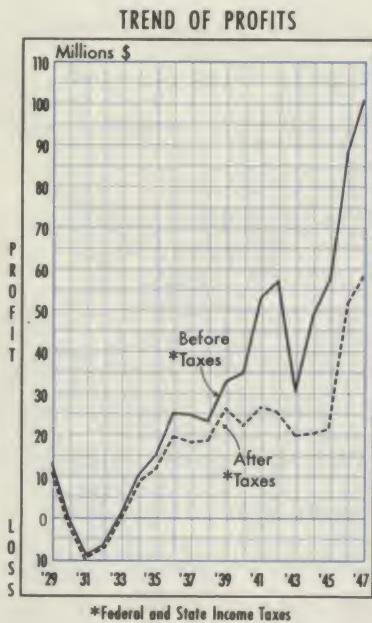


Chicago, March 29, 1948

To the Shareholders of

Montgomery Ward & Co.:

Net profit for the year ended January 31, 1948 was \$59,050,066, equivalent to \$8.86 per share of outstanding common stock, after deducting dividends paid on the Class "A" stock. This profit compares with \$52,282,182 or \$7.83 per share last year.



Earnings before income taxes were \$102,200,066 for the year or 8.8% of sales, compared with \$89,902,182 or 9.2% for the preceding year.

The availability of the best quality of merchandise, together with improved merchandising operations in both retail and mail order divisions, permitted a substantial improvement in profits during the second half of the year.

Net sales for the year increased \$184,417,865, or 18.9%, to a new high of \$1,158,674,514. This volume of sales reflects the sustained purchasing power of the public, and the larger supply of merchandise available to customers.

Customers' time payment accounts increased \$69,070,146 during the year to \$152,720,823 on January 31. Merchandise inventories increased \$39,412,682 to \$277,297,355, reflecting earlier deliveries of spring merchandise, and wider selections of quality merchandise than have been available since before the war. The funds used in providing for these increased receivables and inventories were obtained principally through earnings, and the sale of government bonds.

Net working capital of \$366,624,858 at the end of the year represents an increase of \$33,478,540. The ratio of current assets to current liabilities was 4.5 to 1.

Cash dividend distribution during the year totaled \$20,918,012, of which \$1,410,878 was paid to Class "A" shareholders and \$19,507,134, or \$3.00 per share to the holders of common stock. Net worth was \$394,715,323 on January 31, and the book value of common stock on that date was \$57.59 per share.

Respectfully submitted,

SEWELL AVERY,

Chairman of the Board

Montgomery Ward

Balance Sheet —

ASSETS

Current Assets:

Cash.....	\$ 18,494,248
U. S. Government securities (short term).....	32,653,045
Receivables—	
Customers' time payment accounts.....	\$152,720,823
Customers' charge and other accounts.....	6,661,094
Due from suppliers, claims receivable, etc..	6,971,777
	<hr/>
	\$166,353,694
Less—Reserves for doubtful accounts and collection expense.....	22,263,987
	<hr/>
Merchandise inventories (priced at the lower of cost or market).....	277,297,355
Total current assets.....	<hr/> \$472,534,355

Prepaid Catalog Costs and Expenses

17,246,829

Fixed Assets (at cost, less depreciation reserves):

Land.....	\$ 6,445,168
Buildings.....	\$ 36,919,918
Fixtures and equipment.....	32,947,018
	<hr/>
	\$ 69,866,936
Less—Reserves for depreciation.....	39,720,183
Leasehold Improvements (less amortization)...	3,667,905
	<hr/>
	\$530,041,010

& Co., Incorporated

January 31, 1948

LIABILITIES

Current Liabilities:

Accounts payable.....	\$ 33,117,702
Due customers.....	15,533,886
Accrued expenses and miscellaneous taxes....	13,996,707
Federal income taxes	43,261,202
Total current liabilities.....	<hr/> \$105,909,497

Reserves:

Possible future inventory price decline.....	\$ 26,000,000
Self-insurance and contingencies.....	<hr/> 3,416,190
	29,416,190

Capital Stock and Surplus:

Class "A"—Authorized 205,000 shares of no par value, non-callable, \$7.00 per share cumulative dividends; issued 201,554 shares, stated at liquidating value.....	\$ 20,155,400
Common—Authorized 10,000,000 shares of no par value; issued 6,502,378 shares, at stated value.....	211,231,385
Earned surplus.....	<hr/> 163,328,538
	394,715,323
	<hr/> \$530,041,010

Montgomery Ward & Co., Incorporated

Comparative Income Account

	<i>Year Ended January 31</i>	
	<i>1948</i>	<i>1947</i>
Net sales.....	\$ 1,158,674,514	\$ 974,256,649
Cost of sales and operating expenses (including depreciation and amortization of \$3,337,740 this year, and \$3,306,430 last year).....	1,056,474,448	884,354,467
Earnings before income taxes	\$ 102,200,066	\$ 89,902,182
Provision for Federal and state income taxes.....	43,150,000	37,620,000
Net profit for the year	\$ 59,050,066	\$ 52,282,182
Provision for possible future inventory price decline..	—	10,000,000
Net profit carried to surplus.....	\$ 59,050,066	\$ 42,282,182

Earned Surplus Account

Balance January 31, 1947.....	\$ 125,196,484
Net profit for the year.....	59,050,066
Total	\$ 184,246,550
Deduct—	
Dividends on Class "A" stock—\$7.00 per share..	\$ 1,410,878
Dividends on Common stock—\$3.00 per share..	19,507,134
Balance January 31, 1948.....	\$ 163,328,538

ARTHUR ANDERSEN & CO.

120 SOUTH LA SALLE STREET
CHICAGO 3

To the Board of Directors,

Montgomery Ward & Co., Incorporated:

We have examined the balance sheet of MONTGOMERY WARD & Co., INCORPORATED (an Illinois corporation) as of January 31, 1948, and the statements of income and surplus for the year then ended, have reviewed the system of internal control and the accounting procedures of the company and, without making a detailed audit of the transactions, have examined or tested accounting records of the company and other supporting evidence, by methods, at times, and to the extent we deemed appropriate. Our examination was made in accordance with generally accepted auditing standards applicable in the circumstances and included all procedures which we considered necessary. We made a similar examination for the preceding year.

In our opinion, the accompanying balance sheet and related statements of income and surplus present fairly the position of the company at January 31, 1948 and the results of its operations for the two years then ended, and are in conformity with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Chicago, Illinois,
March 10, 1948

ARTHUR ANDERSEN & Co.

Montgomery Ward

Comparison of

January 31
 1948 1947 1946 1945

ASSETS

	1948	1947	1946	1945
Cash and U. S. securities.....	\$ 51,147,293	\$ 64,712,579	\$ 98,892,914	\$ 95,509,773
Receivables, less reserves.....	144,089,707	86,446,176	48,599,391	48,693,043
Merchandise inventories.....	277,297,355	237,884,673	137,599,751	117,530,922
Total current assets.....	<u>\$472,534,355</u>	<u>\$389,043,428</u>	<u>\$285,092,056</u>	<u>\$261,733,738</u>
Prepaid expenses.....	17,246,829	13,287,297	8,403,588	8,819,426
Investments, etc.....	—	—	—	4,505,000
Fixed assets.....	40,259,826	39,364,614	39,654,992	41,753,415
	<u>\$530,041,010</u>	<u>\$441,695,339</u>	<u>\$333,150,636</u>	<u>\$316,811,579</u>

LIABILITIES

Current liabilities.....	\$105,909,497	\$ 55,897,110	\$ 44,484,135	\$ 39,652,470
Reserves.....	29,416,190	29,276,048	19,025,719	18,605,180
Capital stock.....	231,386,785	231,325,697	167,125,235	149,035,664
Earned surplus.....	163,328,538	125,196,484	102,515,547	109,518,265
	<u>\$530,041,010</u>	<u>\$441,695,339</u>	<u>\$333,150,636</u>	<u>\$316,811,579</u>
Net working capital.....	<u>\$366,624,858</u>	<u>\$333,146,318</u>	<u>\$240,607,921</u>	<u>\$222,081,268</u>

& Co., Incorporated

Balance Sheets

January 31

1944	1943	1942	1941	1940	1939
\$ 77,203,467	\$ 44,104,978	\$ 15,955,864	\$ 16,413,449	\$ 14,396,412	\$ 24,392,658
42,054,432	53,539,393	91,073,514	94,715,917	78,880,212	62,593,191
124,577,979	139,733,375	123,102,953	101,710,763	96,323,612	81,494,245
<u>\$243,835,878</u>	<u>\$237,377,746</u>	<u>\$230,132,331</u>	<u>\$212,840,129</u>	<u>\$189,600,236</u>	<u>\$168,480,094</u>
8,789,158	9,345,872	10,508,082	8,357,296	7,153,715	6,655,355
2,685,000	2,045,000	678,173	856,718	5,234,916	6,012,451
44,278,550	46,360,093	48,981,230	49,623,060	49,848,029	46,683,090
<u>\$299,588,586</u>	<u>\$295,128,711</u>	<u>\$290,299,816</u>	<u>\$271,677,203</u>	<u>\$251,836,896</u>	<u>\$227,830,990</u>
\$ 31,777,287	\$ 36,986,928	\$ 51,239,949	\$ 49,362,756	\$ 40,704,949	\$ 31,901,198
18,698,037	17,860,447	7,370,943	1,132,067	1,132,412	1,095,730
149,035,664	149,035,664	149,035,664	149,035,664	149,035,664	149,035,664
100,077,598	91,245,672	82,653,260	72,146,716	60,963,871	45,798,398
<u>\$299,588,586</u>	<u>\$295,128,711</u>	<u>\$290,299,816</u>	<u>\$271,677,203</u>	<u>\$251,836,896</u>	<u>\$227,830,990</u>
<u>\$212,058,591</u>	<u>\$200,390,818</u>	<u>\$178,892,382</u>	<u>\$163,477,373</u>	<u>\$148,895,287</u>	<u>\$136,578,896</u>

Montgomery Ward

Comparison of Sales,

FISCAL YEAR ENDED JANUARY 31	NET SALES	EARNINGS BEFORE INCOME TAXES	INCOME TAXES	NET PROFIT*
1948	\$1,158,674,514	\$102,200,066	\$43,150,000	\$59,050,066
1947	974,256,649	89,902,182	37,620,000	52,282,182*
1946	654,778,682	58,257,025	35,325,000	22,932,025
1945	620,968,523	49,065,839	27,780,000	21,285,839
1944	595,932,821	31,932,098	11,255,000	20,677,098
1943	635,006,979	57,597,584	31,160,000	26,437,584*
1942	632,708,657	54,011,716	26,660,000	27,351,716*
1941	515,910,915	35,083,017	12,055,000	23,028,017
1940	474,882,032	34,310,645	7,300,000	27,010,645
1939	413,961,241	24,044,956	4,400,000	19,644,956
1938	414,090,544	25,110,029	5,900,000	19,210,029
1937	361,297,059	25,198,914	5,000,000	20,198,914
1936	293,042,357	16,837,310	3,310,000	13,527,310
1935	249,805,721	11,161,054	2,000,000	9,161,054
1934	187,632,543	2,227,957	—	2,227,957

* Before deducting provisions for possible future inventory price decline in fiscal years

** Includes transfers of excess time payment reserves in the fiscal years ended January

& Co., Incorporated

Earnings, and Surplus

COMMON STOCK EARNINGS PER SHARE*		DIVIDENDS	INVENTORY PRICE DECLINE RESERVE (End of Year)**	EARNED SURPLUS (End of Year)	BOOK VALUE PER COMMON SHARE
BEFORE TAXES	AFTER TAXES				
\$15.50	\$8.86	\$20,918,012	\$26,000,000	\$163,328,538	\$57.59
13.62	7.83*	19,601,245	26,000,000	125,196,484	51.74
10.90	4.12	11,845,172	16,000,000	102,515,547	47.82
9.13	3.81	11,845,172	16,000,000	109,518,265	45.70
5.85	3.69	11,845,172	16,000,000**	100,077,598	43.89
10.77	4.79*	11,845,172	15,000,000**	91,245,672	42.19
10.08	4.97*	11,845,172	5,000,000	82,653,260	40.54
6.45	4.14	11,845,172	—	72,146,716	38.53
6.31	4.91	11,845,172	—	60,963,871	36.38
4.34	3.50	9,236,598	—	45,798,398	33.48
4.54	3.41	11,832,663	—	35,390,040	31.48
5.21	4.12	19,318,175	—	28,012,674	29.98
3.38	2.65	2,469,036	—	27,131,935	28.46
2.16	1.72	2,116,317	—	16,374,450	26.01
.18	.18	1,058,158	—	9,640,643	24.44

ended January 31, 1947 of \$10,000,000, 1943 of \$6,000,000, and 1942 of \$5,000,000.
 31, 1944 of \$1,000,000 and 1943 of \$4,000,000.

Montgomery Ward & Co., Incorporated

DIRECTORS

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DAVID A. CRAWFORD
HARRY P. DAVISON
GEORGE A. EASTWOOD
PERCY B. ECKHART

WILLIAM L. KEADY
DONALD R. McLENNAN, JR.
WILBUR H. NORTON
SOLOMON A. SMITH
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WILBUR H. NORTON.....President
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LESLIE F. CREWS.....Vice-President
OSWALD B. HIGGINS.....Vice-President
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CHARLES M. ODORIZZI.....Vice-President
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ALBERT O. STEFFEY.....Vice-President
ARTHUR C. ROMER.....Vice-President and Treasurer
EARL G. WARD.....Vice-President and Controller
STUART S. BALL.....Secretary
ARTHUR R. CAHILL.....Assistant Treasurer
EDWARD H. COLLINS.....Assistant Treasurer
JOHN A. BARR.....Assistant Secretary
RALPH G. CRANDALL.....Assistant Secretary

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J. P. MORGAN & CO. INCORPORATED, NEW YORK, N. Y.

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THE FIRST NATIONAL BANK OF CHICAGO, CHICAGO, ILL.
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